

Message Text

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63

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 IO-14 ACDA-19 OMB-01 SIL-01 LAB-06 EB-11

NIC-01 TRSE-00 DRC-01 /155 W

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FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 0000

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

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C O N F I D E N T I A L COPENHAGEN 2614

E.O. 11652: GDS

TAGS: PINT, EGEN, DA

SUBJ: NEGOTIATIONS AMONG NON-SOCIALIST PARTIES BREAK DOWN

REF: COPENHAGEN 2567

SUMMARY. THE NON-SOCIALIST PARTIES' NEGOTIATIONS ON A TAX

REFORM COMPROMISE HAVE BROKEN DOWN. ALTHOUGH

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ADDITIONAL LAST MINUTE NEGOTIATIONS WILL BE TRIED, IT

NOW APPEARS VIRTUALLY CERTAIN THAT PRIMIN HARTLING WILL BE FORCED

TO CALL ELECTIONS WHEN TAX REFORM BILL IS GIVEN THIRD
READING SEPT 20. END SUMMARY

1. LAST DITCH EFFORTS BY ERHARD JAKOBSEN AND JENS MOLLER, CHAIRMEN OF THE CENTER DEMOCRATS AND CHRISTIAN PEOPLES PARTY RESPECTIVELY, TO ASSEMBLE A NON-SOCIALIST MAJORITY FOR A COMPROMISE TAX REFORM CLOSE TO THE LIBERAL GOVERNMENT'S PROPOSAL BROKE DOWN SEPT 16. PRIMARY OBSTACLE WAS MOGENS GLISTRUP'S PROGRESS PARTY WHICH REFUSED TO ACCEPT A THREE PER CENT INCREASE IN VAT UNLESS THE GOVERNMENT WOULD RAISE THE THRESHOLD INCOME UNDER WHICH TAXES ARE NOT PAYABLE FROM 11,000 KRONER (\$1,900) TO 19,000 KRONER (\$3,200). GLISTRUP HAS NOT COMPLETELY CLOSED THE DOOR, HOWEVER, AND FURTHER EFFORTS WILL BE MADE IN THE NEXT FEW DAYS TO FIND A NON-SOCIALIST MAJORITY FOR A COMPROMISE, PERMITTING HARTLING'S LIBERAL GOVERNMENT TO CONTINUE.

2. IN VERY SHORT SESSION SEPT 17 PARLIAMENT POSTPONED THE CRUCIAL VOTE ON THE TAX REFORM BILL (I.E., THE 10 BILLION KRONER INCOME TAX REDUCTION) UNTIL THIRD READING FRIDAY, SEPT 20.

3. A FURTHER ATTEMPT TO INDUCE THE SOCIAL DEMOCRATS INTO A COMPROMISE WITH THE GOVERNMENT IS NOW ALMOST EXCLUDED. THAT PARTY IS UNDER HEAVY PRESSURE FROM THE TRADE UNION MOVEMENT WHICH DESIRES AN ELECTION AS SOON AS POSSIBLE. WITHIN THE PARTY, HOWEVER, THE RIGHT WING (LED BY ORLA MOLLER AND PER HAEKKERUP) AND THE PARTY'S CHIEF ECONOMISTS (HENRY GRUNBAUM AND KNUD HEINESEN) ARE REPORTEDLY TRYING TO CONVINCE ANKER JORGENSEN AND THE LEFT WING THAT AN ELECTION WOULD BE DISASTROUS, IF THE SOCIAL DEMOCRATS IN COMPANY WITH GLISTRUP'S PROGRESS PARTY HAD JUST VOTED AGAINST A TAX REDUCTION. THEY ARE CONSEQUENTLY URGING AN ABSTENTION ON THE TAX REFORM VOTE SEPT 20.

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4. IF THE SOCIAL DEMOCRATS WERE TO ABSTAIN, THE GOVERNMENT COULD CONCEIVABLY PASS ITS TAX REFORM WITH THE SUPPORT OF THE SMALL CENTER-RIGHT PARTIES OVER THE OPPOSITION OF THE COMMUNISTS AND PROGRESSIVES. THIS WOULD MERELY POSTPONE THE REAL CONFRONTATION ON ECONOMIC POLICY UNTIL EARLY NEXT YEAR, WHEN UNEMPLOYMENT IS APT TO BE WORSE. THE SITUATION CONTINUES TO LOOK AS IF AN ELECTION IS UNAVOIDABLE.
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